

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (12/16)
BUTTER: Grade AA closed at \$1.3575. The weekly average for Grade AA is \$1.3658(-.0042).

CHEESE: Barrels closed at \$1.3975 and blocks at \$1.4300. The weekly average for barrels is \$1.3960 (+.0025) and blocks, \$1.4310 (+.0020).

BUTTER: The cash butter market remains steady with a weak undertone. Bulk butter stocks are readily available, although print butter is often not sufficient for immediate needs. Churning activity across the country is moderately active, but producers are bracing for sharp increases in cream offerings during the next few weeks. Surplus holiday cream volumes are expected to be heavy and with Class II demand low, large volumes will be clearing to the churn. Producers feel that pricing multiples will need to be in their favor to keep the volumes of cream moving during this holiday period. Most holiday related orders have been shipped. Some late fill in orders are noted, but the volume does not amount to much. Food service orders are holding up at good levels.

CHEESE: The cheese market is unsettled. Prices at the CME have moved higher and lower this week. Cheese production, reflecting milk production, is steady to higher in most parts of the country. Orders for the year-end holidays have, for the most part, been shipped. Current cheddar and natural American type supplies are in relatively good balance. Demand for cheese is quite good, which is the typical pattern during the holidays.

FLUID MILK: Milk production is steady to higher throughout the nation. Surplus movement of fluid milk into the Southeast is expected to wane in the coming weeks, especially as schools recess for the holidays. Some milk movement was hampered during the current week due to winter storms. Demand for Class I picked up as a result as consumers flocked to stores before the storm. Class I demand is expected to remain strong until the middle of next week when retail orders for the holiday are fully satisfied. Thereafter, milk volumes for manufacture are expected to increase with most handlers anticipating adequate plant capacities. The cream market is mixed yet the undertone is weak as the holidays near. Cream buyers are making bids on anticipated surplus volumes and as a result, churn activity is expected to increase.

DRY PRODUCTS: Production of dry dairy products is trending steady to higher as the year end holiday season approaches. NDM

markets are mixed. Increasing supplies of low heat are encouraging some suppliers to trade stocks at a discount whereas other manufacturers are able to garner premiums. Buyers that note this disparity are questioning low heat market trends. High heat NDM supplies are limited for the good interest. Buttermilk prices are unchanged despite increased production and stocks. Demand is light with higher volumes anticipated during the holidays. Whey supplies are tight. Prices are steady to higher in response to good export interest. The lactose market is firm with prices anticipated higher in the first quarter. WPC prices are lower in response to increased supply availability, competitive offers of WPC 80% and light demand.

CCC: During the week of December 12 - 16, there was no dairy price support activity.

NOVEMBER MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB): Forecast milk production for 2005 and 2006 is slightly lower than last month. Projected December 2006 milk production, at 181.3 billion pounds, is 2.6% higher than the December 2005 projection (176.7 billion pounds) which is 3.5% higher than December 2004 (170.8 billion pounds). Compared with last month's forecast, the herds are reduced marginally, and the milk per cow growth rate is slightly lower. Relatively large supplies of butter are pressuring butter prices and forecast prices are reduced to reflect further pressure through early 2006. Cheese, nonfat dry milk, and whey price forecasts are raised from last month as demand is expected to remain firm. Class IV prices are lowered in 2005 but the Class III price is unchanged. The forecast for both 2006 Class III and Class IV are raised from last month. The all milk price for 2005 is forecast lower at \$15.10-\$15.20, but the 2006 forecast is raised to \$13.35-\$14.15.

SEPTEMBER MAILBOX MILK PRICES (DAIRY PROGRAMS): In September 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.16, \$.51 more than the figure for the previous month. The component tests of producer milk in September 2005 were: butterfat, 3.61%; protein, 3.03%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas except three, and ranged from \$18.32 in Florida to \$13.71 in New Mexico. In September 2004, the Federal milk order all-area average mailbox price was \$15.37, \$.21 higher.

****SPECIALS THIS ISSUE****

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES (PAGES 7-8)

SEPTEMBER MAILBOX MILK PRICES (PAGE 9)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY DECEMBER 12	TUESDAY DECEMBER 13	WEDNESDAY DECEMBER 14	THURSDAY DECEMBER 15	FRIDAY DECEMBER 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.3900 (-.0050)	\$1.3975 (+.0075)	\$1.3975 (N.C.)	\$1.3975 (N.C.)	\$1.3975 (N.C.)	(+.0025)	\$1.3960 (+.0025)
40# BLOCKS	\$1.4350 (N.C.)	\$1.4350 (N.C.)	\$1.4250 (-.0100)	\$1.4300 (+.0050)	\$1.4300 (N.C.)	(-.0050)	\$1.4310 (+.0020)
BUTTER GRADE AA	\$1.3700 (N.C.)	-----	\$1.3700 (N.C.)	-----	\$1.3575 (-.0125)	(-.0125)	\$1.3658 (-.0042)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 12, 2005

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.4350; BIDS UNFILLED: 1 CAR 40#BLOCKS @ \$1.2500; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3900
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 7 CARS GRADE AA: 1 @ \$1.3650, 1 @ \$1.3700, 1 @ \$1.3750, 1 @ \$1.3725, 3 @ \$1.3700; BIDS UNFILLED: 5 CARS GRADE AA: 2 @ \$1.3700, 2 @ \$1.3675, 1 @ \$1.3650; OFFERS UNCOVERED: NONE

TUESDAY, DECEMBER 13, 2005

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.3875, 1 @ \$1.3975; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, DECEMBER 14, 2005

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4250; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.4350
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: 2 CARS EXTRA GRADE @ \$0.9800; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 11 CARS GRADE AA @ \$1.3700; BIDS UNFILLED: 4 CARS GRADEAA: 2 @ \$1.3650, 2 @ \$1.3600; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.3750

THURSDAY, DECEMBER 15, 2005

CHEESE — SALES: 4 CARS 40# BLOCKS: 2 @ \$1.4250, 2 @ \$1.4300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, DECEMBER 16, 2005

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4300; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4300; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 3 CARS GRADE AA: 2 @ \$1.3500, 1 @ \$1.3600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.3575, 1 @ \$1.3600, 1 @ \$1.3650

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9800 and Grade A at \$0.9950. (The last price change for Extra Grade occurred December 14 and the last price change for Grade A occurred October 24.) The weekly average for Extra Grade is \$0.9730 (+.0105) and Grade A is \$0.9950 (N.C).

BUTTER MARKETS**NORTHEAST**

The butter market remains weak. However, the CME cash market price for butter has (through 12/12) been at \$1.37 for four consecutive sessions. This is the longest period of unchanged prices since January. Churning activity in the Northeast is moderate, but producers are bracing for sharp increases in cream volumes during the last couple weeks of the year. Demand for butter is slower as most holiday orders have been shipped to retailers. Printers are still fairly active, but winding up 2005 orders. Demand for bulk is lackluster as many buyers wait to see if prices will decline further before re-entering the market. Fresh butter stocks are not as tight and frozen supplies are more than ample to meet any needs. Demand for packaged butter from retailers is slowing as most of their anticipated needs have been shipped. Retail feature activity is in full swing and, although prices are not that low, they are clearing adequate volumes. Food service orders are holding up at good levels. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The cash butter price of \$1.3700 at midweek has remained steady for over a week. This is the longest period of an unchanged cash price since December 2002. Some butter producers and handlers are surprised and questioning the amount of bulk sales activity that is occurring at the CME this late in the season. Most butter producers indicate that butter supplies are available, although lack of package types, especially prints, is often limiting sales. Many butter producers have maintained near capacity churning schedules as demand remains strong for print butter. Some butter printers are starting to realize additional printing time as orders on the books are clearing the facilities. Cream supplies remain readily

available and most anticipate offerings to only become heavier as the year end holidays near. Some reports are already surfacing that cream available for next week will be at 115 delivered based on date of shipment. Producers and handlers anticipate heavy cream offerings during the upcoming holidays at favorable prices. Some retail orders remain strong, although time is running out to ship and place desired volumes to meet holiday shopper needs. Food service orders remain strong and appear to be so through the balance of the month. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Butter prices at the cash CME market have held for five trading sessions at \$1.37. More trading activity has been noticed recently. Most recently all the sales are occurring based on offers. Most holiday related orders have been shipped. Some late fill in orders are noted, but the volume does not amount to much. Overall, the holiday butter season is being called average at best. Bulk butter is readily available. Some types of prints are a bit hard to find. Churns are running heavy and print machines are fully scheduled. Offerings of cream are heavy and prices are low. Butterfat tests on farm milk supplies have come back very strong from the very low summer levels. This is adding even more cream to a surplus situation. Most Class II or Class 2 product production is finished for the holidays. CME weekly butter inventories declined last week by 828,000 pounds to stand at 29.1 million pounds. Last year for this week, stocks stood at 9.95 million pounds and they were 59.3 million pounds in 2003. During the last 10 weeks, stocks have declined by 37.6 million pounds compared to 52.6 million pounds for the same period in 2004. Bulk butter prices range from 2 cent under to 6 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

	CHEESE				
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
		38% MOISTURE			
WEEK ENDING					
DECEMBER 10	1.3740	1.3691	0.9995	1.3595	0.3232
	9,271,711	9,672,225	18,802,573	3,188,221	11,028,392

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are higher for the fourth or fifth week in a row, depending on product type. The market tone is firm, but many contacts feel that this may change as we near the holiday season when demand has been filled and more milk moves into cheese vats. Currently, cheese output in the Northeast is moderate, but producers are being or have been contacted about taking more milk during the last two weeks of the year. Many feel that the Northeast will be awash with milk, but that remains to be seen. Cheese stocks are adequate for the steady to occasionally slower demand. The call for gift pack items is slowing and the bulk of the retail orders have generally been shipped. Food service orders are holding up quite well as restaurants and fast food outlets are seeing good business this holiday shopping season.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5100-2.0300
Cheddar Single Daisies	:	1.4675-1.9425
Cheddar 40# Block	:	1.5675-1.8400
Process 5# Loaf	:	1.6050-1.8450
Process 5# Sliced	:	1.6250-1.8525
Muenster	:	1.5825-1.7825
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is weaker. CME prices that have rebounded in recent weeks are declining. This week, blocks have held relatively steady, but were lower at mid-week. Barrels have moved both higher and lower. However, as holiday orders are filled, some contacts feel that producer inventories will back up and prices may "inch" lower as we enter the New Year. Currently, cheese production is about steady as milk intakes start to show some seasonal increases. Yields are improving as the fat and protein tests increase along seasonal patterns. Demand for cheese is slowing now that most of the holiday-related orders have been shipped. Some last minute deliveries are being made, but gift pack orders are winding down. Retail sales are fair to good, particularly if featured. Milk handlers continue to plan for the year-end holidays and all the milk they expect to have available to them.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6450-1.8900
Brick And/Or Muenster 5#	:	1.8800-1.9750
Cheddar 40# Block	:	1.7725-2.2650
Monterey Jack 10#	:	1.9200-2.2650
Blue 5#	:	2.2725-2.5700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6050-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS
SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
12/12/05	24,583	:	131,315
12/01/05	25,924	:	130,277
CHANGE	-1,341	:	+1,038
% CHANGE	-5	:	+1

WEST

The cash price for blocks at the CME market had held steady or increased since November 3. Most trading activity on the CME recently had been bid related. Today (December 14) prices declined one cent to stand at \$1.4250. One year ago yesterday, blocks declined from \$1.70 to \$1.42. The decline of 28 cents is the largest single day decrease on record. Most holiday related orders have been shipped. Some last minute fill in orders are still moving out, but they are dwindling. Shipments for the holiday season are being called good, sometimes better than anticipated. Some contacts are reporting that barrel stocks are now in a tighter position than blocks. Under grade cheese and processing solids are clearing fairly easily. Some believe that block inventories are building at a faster rate now. Cheese production is heavier at many locations than anticipated. Mozzarella sales are fair for this time of year with some cheese ending up in the freezer. Swiss sales are excellent for the holiday season.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5450-1.8025
Cheddar 40# Block	:	1.5500-1.9025
Cheddar 10# Cuts	:	1.7300-1.9500
Monterey Jack 10#	:	1.7400-1.9000
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN TYPE

Prices are unchanged to higher and the market tone is seasonally firm. Demand for imported and/or domestic styles is generally good, but most gift pack items have been delivered and many distributors are now working on last minute fill-in orders for retail needs. Food service orders are steady to improved. The stronger dollar is having an impact on importers' early-year orders.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-4.6300	1.8225-3.3125*
Gorgonzola	3.6900-5.9400	2.3325-2.4900*
Parmesan (Italy)	TFEWR	3.2375-3.3425*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-6.0900	1.8250-2.0600*
Romano (Cows Milk)	-0-	3.0200-5.1625*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	3.1200-4.1500	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.5600	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	104	0	103	0	32	0
SOUTHEAST STATES	24	0	24	0	0	0

Regional Milk Market Administrators announced the following, November 2005 uniform prices: Northeast \$15.41, Mideast \$14.35, Appalachian \$16.30, Southeast \$16.22, Florida \$17.71, and Western New York (a state order) \$14.52 at the base city or county in the orders. Milk production is steady to slightly heavier in much of the region. This week's round of winter storms is having a negative impact on the milk flow in many areas, but fat and protein tests are nearing seasonal peaks. The storms and cold weather have spurred another round of panic buying at retail and bottlers have increased their orders for Grade A milk. This good demand may come to an abrupt halt once the storm has passed and retailers still have milk on the shelf or customers have more than they need in the refrigerator. Next week will mark the beginning of school vacations and the need for bottled milk will likely ease through the holiday season. Florida's need for milk is about steady, but contacts there feel that the need for imported milk will cease in the near future. Increasing production and slower demand during the holidays may temporarily force some milk to clear to out-of-state manufacturing plants. Surplus milk volumes are very light this week, but most contacts in the Northeast are bracing themselves for excessive volumes during the holidays. Some recent closings of cheese operations will lessen the processing capacity in the region. The condensed skim market is mostly steady, but demand is easing along typical, seasonal patterns. The fluid cream market is mixed. It seemed firm going into this week, then as orders were cancelled, it seemed weaker, and early this week, it got firm again. Offerings of fluid cream, following the above pattern, ranged from tight to ample to tight in just a matter of 3-5 days. Spot prices are often lower as the CME cash butter price average dropped two-cents last week. Multiples are steady to occasionally higher, depending on time of week ordered. Production of Class II items is holding up fairly well, but in instances, starting to slow down. Cream cheese output is mostly steady. Churning activity is light to moderate in the East, but butter makers are gearing up for the anticipated glut of cream during the holidays.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7399-1.8906
DELIVERED EQUIVALENT ATLANTA	-	1.7810-1.9180 M 1.8221-1.8906
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7125-1.8221

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0200-1.0900
NORTHEAST- CLASS III - SPOT PRICES	- 1.0500-1.1200

M I D W E S T

Milk production in the Central part of the country is holding steady to up slightly. Milk volumes appear to be readily available and are sufficient to maintain capacity or near capacity levels at most plants that are in production. Balancing plants anticipate increased volumes over the next two weeks as the yearend holidays unfold. This week, demand for milk remains fairly active, but is expected to drop early next week. Class I demand is steady to heavier for the upcoming weekend and through midweek when retail needs have been addressed and schools close for the holidays. By Thursday, more milk will become available for manufacturing for the next week or so. Milk handlers anticipate surplus milk pricing to be lower for the balance of the month. Reports are already surfacing indicating that holiday surplus prices will range from \$.50 over to \$2.00 under class with most sales at flat to lower pricing. For December, heavier than usual snowfall is occurring in many parts of the upper Midwest. Other than slowing traffic, no major disruptions are being reported in the flow of milk from the farm to the end user. Sales of cream remain fairly strong for this late in the season, but are projected to also drop sharply as the holidays approach. Some cream buyers are already stating their willingness to buy surplus cream and are stating the price that they are willing to pay. Often, these prices are much lower than cream suppliers are willing to acknowledge. Class II cream demand is declining as the holidays near, thus generating additional volumes of surplus cream for other uses. Butter producers are stating that they

will be maintaining fairly active churning schedules during the last week of the month. Some butter producers will be down a few days over the Christmas weekend, but will resume production schedules by the 26th.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 09 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 53.50	\$ 46.00- 52.00
REPLACEMENT HEIFER CALVES	\$500.00-750.00	\$200.00-450.00
SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)		
	DEC 09 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 54.50	\$ 46.00- 54.00

W E S T

The January 2006 Class 1 prices in CALIFORNIA range from \$14.49 in the north to \$14.76 in the south. The statewide average Class 1 price based on production is \$14.54. The average is \$0.50 lower than December 2005 and \$3.93 less than January 2005. CALIFORNIA milk production is moving slightly higher on a weekly basis over most areas. Several processors are noting levels are 3% to 6% higher than last year. Weather conditions have been seasonal and drier than normal. Fresh cows entering the milking strings are accounting for more milk. Historically, December is not a big month for fresh cows, but past hot weather has altered breeding cycles. Milk intakes are being handled as expected ahead of the holidays. Bottlers and smaller processing plants are planning to have some down days on and around the holiday. They plan to build product stocks and clear intake tanks. Bigger plants are expected to run on normal to extended schedules to process milk. Overall, milk is expected to be handled efficiently, although with some heavy days. Fluid milk orders this week are still good into school accounts, but are slowing as colleges begin to recess and other schools will join in next week. Retail demand is fair to good. NEW MEXICO milk output is building slowly at levels up slightly from last year. Bottlers are taking steady to higher milk volumes this week. Milk is still being shipped to the Southeast, but those shipments will slow in the next few weeks as demand from that region ends. ARIZONA production is generally flat on a weekly basis. Intake levels seem to bounce around with some days higher, then slightly lower for the next. Weather conditions have been cooler than normal, but not where milk would be affected. Plants have processing time available. With recent capacity growth in nearby states, plants are not expected to get the additional milk handled in previous years. CREAM prices are lower and the market tone is weaker heading into the year end. Handlers placing loads around the holiday have to discount multiples and prices to secure sales. Cream will be ending up at the churns. Current production of other cream based items is slowing as those products are finalized and placed ahead of the holidays. The butter price at the CME has been unchanged since last week at \$1.3700. Multiples are under pressure. They range from 105 to 121, FOB, and vary depending on class usage and basing point. Distressed loads in the next few weeks are even lower. The wet and foggy conditions noted over the past few weeks have improved in some areas of the PACIFIC NORTHWEST, but not in all areas. These conditions have caused increased incidences of mastitis and general problems with animal health, especially from a respiratory point of view. Milk production may be near the bottom seasonally, but some producers note a sharp decline in per cow production over the past few weeks. Fat tests remain very strong, but the overall milk flow is down. The reasons for the milk per cow declines are not well understood. Ration rebalancing is not solving the problem. Heifer prices remain firm in the region. Hay shipping is slowing as the end of the year approaches. The majority of the hay in the region is sold and awaiting shipment. Acreage estimates for next year indicate 5-10% more land in forage production. Cold weather continues over much of UTAH and IDAHO. Not much snow is reported in dairy areas, but it is mostly confined to the high country where it may improve cropping prospects for next year. Excellent fat tests at most plants continue to be a topic of conversation. Some published reports indicate that cow numbers are expected to grow at a much faster rate in parts of the dairy belt in Idaho. This should keep heifer prices firm for the foreseeable future. Most manufacturing plants have a milk strategy in place for the upcoming holiday period and not much additional stress is anticipated unless some plant production problems occur.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a steady market. Production of low heat NDM is trending higher seasonally. As schools recess for the holidays, production is expected to be strong. Sales of Grade A NDM are generally good. Traders report offerings of multiple loads of Extra Grade NDM from Western suppliers. In general, traders are resisting current offers as they expect prices to soften in the New Year. Some spot trade is noted by end-users that could no longer hold out on purchasing a load for end of the year production. Resale trades of high heat NDM are noted above the range. High heat supplies are generally not available direct from the manufacturer unless the trade is contractual.

EAST: Prices and the market tone are mixed this week. Some operations adjusted their prices higher while others have discounted prices significantly on multi-load sales. Reports indicate that these discounted loads do have to be picked up/shipped before the end of the year. The NASS price series (the basis for most NDM sales) increased 1.12 cents last week. Eastern powder is a little long and, reportedly, the above mentioned discounted loads were an effort to reduce producer stocks. Many feel that we are again getting back into a multi-tier pricing market. Anecdotal reports indicate that there have been discounts for NDM earmarked for export and multi-load deals without energy surcharges applied. With NDM stocks heavier than expected, producers have to be creative with their marketing/prices. However, these low priced sales often cause their own powder to wind up competing with themselves from the resale side of the market. Demand for NDM is slow to fair as year-end inventory considerations are a factor for some buyers.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: 1.0000 - 1.1000 MOSTLY: 1.0200 - 1.0650
 HIGH HEAT: 1.0750 - 1.1350

NONFAT DRY MILK - WEST

Prices for low/medium heat nonfat dry milk are steady to higher, while the market tone remains unsettled. Talk in the trade is on the lower numbers in the range and mostly series that reflect clearance of stocks and exporting. Buyers who are not being shown lower prices wonder where the prices are coming from and why they don't get shown the lower prices, especially with indexes plus overages the current trend in establishing spot and contract prices. There are also offerings of older NDM and resale NDM being shown on the market. Production levels are increasing as milk production grows and is expected to build over the year end holiday period as milk is balanced at butter/powder plants. Demand for NDM and condensed from cheese producers has improved slightly, but is expected to wane as more milk is put through in the next few weeks. High heat prices are unchanged to higher. Trading is light seasonally. Offerings are in better balance and producers generally have the powder to fill current orders. The influence of lower low/medium prices has not impacted high heat prices.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .9100 - 1.0300 MOSTLY: .9500 - 1.0250
 HIGH HEAT: 1.0100 - 1.0650

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 9	\$.9822	11,929,051	0
December 2	\$.9860	9,236,708	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a weak market. As butter production seasonally increases, more dry buttermilk is being produced. Sellers are not aggressively pursuing sales in light of reduced demand. Trade is expected to increase after the holidays when buyers are ready to replenish stocks and sellers have accumulated ample supplies. Offerings are noted at the average.

F.O.B. CENTRAL: .9100 - .9550

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. The Northeast prices remain nominal. Churning activity is lighter this week as cream supplies tighten under the still good Class II demand. However, most butter makers do expect "serious" volumes of cream during the holidays and are preparing accordingly. This will likely provide a sharp increase in buttermilk drying at a time when dryers are busy processing skim. Currently, producer stocks are fairly well balanced with the slow to fair demand.

F.O.B. NORTHEAST: .9500 - 1.0050
 DELVDSOUTHEAST: .9800 - 1.0600

DRY BUTTERMILK - WEST

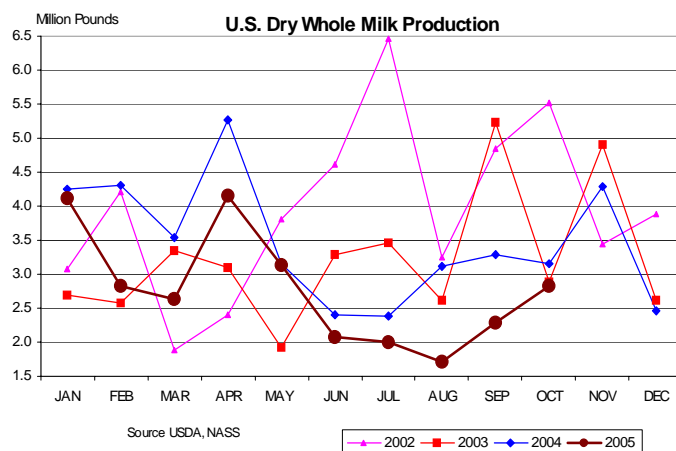
Western dry buttermilk prices are holding mostly steady in light spot trading. The market tone remains weak and is characterized by growing production and light demand. Seasonal accounts are taking expected volumes under contract but any additional demand is sparse. The prospects of moving any volumes to export channels are slim for this time of year, especially into Mexico. Drying schedules are increasing as more cream is entering the butter churns and more solids are generated. Inventories range widely from moderate to heavy.

F.O.B. WEST: .9000 - .9650 MOSTLY: .9100 - .9200

DRY WHOLE MILK - NATIONAL

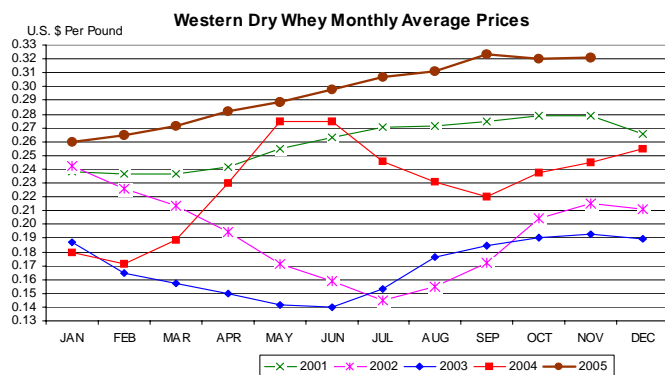
Prices are unchanged to lower and nominal. Drying schedules are geared toward meeting sales levels, but for those who do have orders, output is a little heavier as producers try to make it before the holidays when skim drying will take precedent. Direct spot sales are light.

F.O.B. PRODUCING PLANT: 1.2975 - 1.3600



Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

Excluding promotional and other sales allowances. Included new price announcements.



DECEMBER MILK SUPPLY AND DEMAND ESTIMATES*

Forecast milk production for 2005 and 2006 is slightly lower than last month. Compared with last month's forecast, the herds are reduced marginally, and the milk per cow growth rate is slightly lower. Relatively large supplies of butter are pressuring butter prices and forecast prices are reduced to reflect further pressure through early 2006. Cheese, nonfat dry milk, and whey price forecasts are raised from last month as demand is expected to remain firm. Class IV prices are lowered in 2005 but the Class III price is unchanged. The forecast for both 2006 Class III and Class IV are raised from last month. The all milk price for 2005 is forecast lower at \$15.10-\$15.20 per cwt., but the 2006 forecast is raised to \$13.35-\$14.15 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2004	2005 Projected		2006 Projected	
		November	December	November	December
MILK		BILLION POUNDS			
PRODUCTION	170.8	176.9	176.7	181.5	181.3
FARM USE	1.1	1.1	1.1	1.1	1.1
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.3	7.2	7.2	7.4	7.4
MARKETINGS	169.7	175.8	175.6	180.4	180.2
IMPORTS	5.3	4.8	4.8	4.9	4.9
TOTAL COMMERCIAL SUPPLY	183.3	187.7	187.5	192.7	192.6
FAT BASIS USE					
ENDING COMMERCIAL STOCKS	7.2	7.4	7.4	7.5	7.5
CCC NET REMOVALS <u>1/</u>	-0.1	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	176.2	180.3	180.2	185.2	185.0
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.5	8.2	8.2	8.0	8.1
MARKETINGS	169.7	175.8	175.6	180.4	180.2
IMPORTS	4.8	4.8	4.8	4.8	4.8
TOTAL COMMERCIAL SUPPLY	183.0	188.8	188.6	193.2	193.2
SKIM-SOLIDS BASIS USE					
ENDING COMMERCIAL STOCKS	8.2	8.0	8.1	8.2	8.3
CCC NET REMOVALS <u>1/</u>	1.3	-1.0	-1.0	0.8	0.7
COMMERCIAL USE <u>2/</u>	173.5	181.8	181.5	184.2	184.2
CCC PRODUCT NET REMOVALS <u>1/</u>		MILLION POUNDS			
BUTTER	-7	0	0	0	0
CHEESE	6	0	-2	0	0
NONFAT DRY MILK	105	-85	-80	70	60
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 8

DECEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2004	2005 Projected		2006 Projected	
		November	December	November	December
PRODUCT PRICES <u>1/</u> CHEESE BUTTER NONFAT DRY MILK DRY WHEY MILK PRICES <u>2/</u> CLASS III CLASS IV ALL MILK <u>3/</u>	DOLLARS PER POUND				
	1.6431	1.485-1.495	1.480-1.490	1.285-1.375	1.295-1.375
	1.8239	1.540-1.570	1.525-1.555	1.305-1.425	1.300-1.410
	0.8405	0.930-0.950	0.930-0.950	0.875-0.945	0.890-0.950
	0.2319	0.270-0.280	0.275-0.285	0.235-0.265	0.255-0.285
	DOLLARS PER CWT				
	15.39	14.00-14.10	14.00-14.10	11.85-12.75	12.05-12.85
	13.20	12.80-13.00	12.75-12.95	11.35-12.35	11.45-12.35
	16.05	15.15-15.25	15.10-15.20	13.15-14.05	13.35-14.15
	QUARTERLY				
2005 III	2005 IV <u>4/</u>	2006 I <u>4/</u>	2006 II <u>4/</u>	2006 III <u>4/</u>	
MILK PRODUCTION	BILLION POUNDS				
	44.0	43.8	45.1	46.7	44.7
	DOLLARS PER CWT.				
	14.97	15.05-15.25	14.20-14.70	12.90-13.70	12.65-13.65
	14.08	13.55-13.75	12.60-13.10	11.75-12.55	11.70-12.70
CLASS IV PRICE <u>2/</u>	13.45	12.85-13.15	12.10-12.70	11.55-12.45	11.05-12.15

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfmom/mib/fedordprc_dscrp.htm. 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Paul Kiendl, FAS; James Miller, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-429, World Agricultural Outlook Board, USDA, December 9, 2005.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, SEPTEMBER 2005

In September 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.16 per cwt., \$.51 more than the figure for the previous month. The component tests of producer milk in September 2005 were: butterfat, 3.61%; protein, 3.03%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices increased in all Federal milk order reporting areas except three, and ranged from \$18.32 in Florida to \$13.71 in New Mexico. In September 2004, the Federal milk order all-area average mailbox price was \$15.37, \$.21 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	September 2004	August 2005	September 2005
	Dollars per hundredweight		
Northeast Federal Milk Order	15.74	15.09	15.54
Appalachian States <u>3/</u>	15.71	15.38	15.34
Southeast States <u>4/</u>	16.46	16.59	16.55
Southern Missouri <u>5/</u>	15.15	14.67	14.90
Florida	17.56	18.60	18.32
Ohio	15.35	14.67	15.03
Indiana	15.55	14.68	14.91
Michigan	15.10	14.50	14.85
Wisconsin	15.86	14.74	15.45
Minnesota	15.57	14.57	15.36
Iowa	15.47	14.52	15.15
Illinois	15.68	14.50	15.26
Corn Belt States <u>6/</u>	14.36	13.58	14.11
Western Texas <u>7/</u>	14.63	13.92	14.53
New Mexico	13.65	13.00	13.71
Northwest States <u>8/</u>	14.36	13.84	14.35
All Federal Order Areas <u>9/</u>	15.37	14.65	15.16
California <u>10/</u>	14.37	13.23	14.09

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF DECMEBER 12 - 16, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 12/09/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF DECEMBER 12 - 16, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	-0.1	-2.8
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - DEC. 9, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	60.2	3,233.1

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	-0-	29,415,099	-0-	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	-0-	31,817,269	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/26/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.5	6.3	2.2	13.4	1.9	0.2	N.A.	12.5	1.5	39.3	2,069.5
2004-Dairy	N.A.	0.5	5.6	1.8	11.1	2.2	0.8	N.A.	10.4	1.6	34.7	2,148.2
2005-All cows	N.A.	0.5	7.5	8.4	26.6	11.7	9.6	N.A.	14.6	2.0	83.7	4,374.0
2004-All cows	N.A.	0.6	6.8	8.6	22.9	9.8	11.3	N.A.	12.4	5.0	80.1	4,632.8

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13	14.80	13.62	13.89	14.44	13.70	14.27	14.56	13.57
II	13.04	13.36	13.25	13.24	12.78	13.06	13.79	13.95	14.35	14.25	13.49	
III	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	
IV	12.52	12.74	12.66	12.61	12.20	12.33	13.17	13.44	13.75	13.61	12.90	

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cis_prod_cmp_pr.htm